

BUSINESS OPPORTUNITY

CC-BLRI003-15

Department of the Interior

National Park Service
Blue Ridge Parkway

**A Concession Business Opportunity for
Lodging, Food & Beverage,
and Retail Services
at Pisgah Inn**

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INTRODUCTION

The National Park Service ("Service") intends to award a concession contract at the Blue Ridge Parkway ("Park") for concession operations at Pisgah Inn. This Prospectus describes in general terms the existing business operations and the future business opportunities for the facilities and services required by the Service. Offerors must review all sections of this Prospectus and specifically, the terms and conditions of the Draft Concession Contract CC-BLRI003-15 ("Draft Contract"), including its exhibits, to determine the full scope of a future concessioner's responsibilities under the Draft Contract.

The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (Public Law 105-391), as implemented by regulations in 36 C.F.R. Part 51. The term "Concessioner" as used in the Prospectus refers to the entity that will be the Concessioner under the Draft Contract. The term "Existing Concessioner" refers to Parkway Inn, Inc., the Concessioner under the current Concession Contract CC-BLRI003-04 ("Existing Contract"). Existing Contract BLRI003-04, as amended, and a copy of 36 C.F.R. Part 51 are included as appendices to this Prospectus.

In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, 36 C.F.R. Part 51 will control. In the event of any inconsistency between the description of the terms contained in this Prospectus and the Draft Contract, the Draft Contract will control.

Given the popularity of the Park, and the variety of services available to the public required under the Draft Contract, the Service believes the Draft Contract presents an attractive business opportunity for the future Concessioner.

THE NATIONAL PARK SERVICE AND ITS MISSION

In 1916, President Woodrow Wilson approved legislation creating the National Park Service within the Department of the Interior. That legislation stated that Congress created America's National Park Service to:

...conserve the scenery and the natural and historic objects and the wild life therein, and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (16 U.S.C. § 1)

Additionally, Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. (16 U.S.C. § 1a-1)

The Service has as its overall mission, the preservation and public enjoyment of significant aspects of the nation's natural and cultural heritage. To learn more about the National Park Service, visit www.nps.gov. This site includes information about the Service's mission, policies, and individual park units.



BLUE RIDGE PARKWAY

In 1936, Congress formally authorized the construction of Blue Ridge Parkway, a designated National Scenic Byway and All-American Road intended to connect Shenandoah National Park to the Great Smoky Mountains National Park. The road, which was built over a period of 52 years, is almost 500 miles long and crosses through the states of North Carolina (NC) and Virginia (VA) along the Blue Ridge mountain range. Land alongside the road is maintained by the Service and, in many places, borders land protected by the United States Forest Service.

The maximum speed limit on the road never surpasses 45 miles per hour and there are no direct interchanges with interstate highways, making it possible for visitors passing through to leisurely and safely enjoy the passing scenery. The road's varied and scenic environment is designed to highlight the natural beauty and culture of the surrounding area.



From Milepost 0 at Rockfish Gap, VA to Milepost 355 near Mount Mitchell State Park, NC, the road lives up to its name by following the crest of the Blue Ridge Mountains, averages about 3,000 feet in elevation, and occasionally dipping down into the coves and hollows or crossing low-elevation water gaps. At Mount Mitchell, the road veers westward through the Black Mountains, then into the Craggy Mountains before descending toward Asheville, NC. From there, the road climbs to elevations over 6,000 feet in the Balsam Mountains before entering the Great Smoky Mountains National Park near Cherokee, NC.

Along this route, the Park traverses an unsurpassed diversity of climate zones, vegetation zones, physiographic zones, and geological features. The more than 81,000 acres of Park lands pass through a highland area of five degrees longitude and approximately 3 degrees latitude, making it the third largest unit of the National Park Service in terms of area covered. Park resources include 600 streams (150 headwaters), 47 Natural Heritage Areas (areas set aside as national, regional or state examples of exemplary natural communities), a variety of slopes and exposures, and possibly 100 different soil types. The Park provides a home for plants and animals with southern species at the lower elevations and northern species on the mountaintops.

Due to the varied topography, weather conditions can vary dramatically. The highest point on the road (Richland Balsam Mountain at Milepost 431) is closed periodically from November to April due to inclement weather such as snow, fog, and even freezing fog from low clouds. A few facilities located in the Park are open year-round, although a large majority (such as visitor centers, campgrounds and picnic areas) begin opening on a staggered schedule in late April and stay open through the fall leaf color season.



Additional information about the Park can be found on the National Park Service website at www.nps.gov/blri.



The following is an overview map of the Park and the surrounding area.

Exhibit 1. Map of Blue Ridge Parkway and Surrounding Area



Source: National Park Service

CONCESSION OPPORTUNITY

Pisgah Inn is located on the Blue Ridge Parkway at Milepost 408.6, approximately 24 miles southwest of Asheville, North Carolina. The Concession Opportunity includes the three building, 51-room Lodge, the Restaurant and Gift Shop, the Country Store (formerly a service station), and employee housing. Its ridgeline setting at an elevation of 5,000 feet provides spectacular views of surrounding mountains and valleys.

Due in large part to its impressive location, Pisgah Inn is a destination for lodging and dining, attracting local residents and tourists to enjoy meals in a glass-walled dining room that takes full advantage of the vistas. Pisgah Inn experiences higher monthly occupancy rates than most Asheville area lodging properties. During the peak months of July and October, the Pisgah Inn's occupancy rate exceeds the Asheville area average lodging occupancy rate by over 10 percentage points.

Visitors to the Lodge and Restaurant enjoy all the Mt. Pisgah area has to offer, including an amphitheater, campground, picnic area, and public restrooms. An extensive trail system provides visitors the opportunity to hike to the summits of the surrounding mountains. Visitors use the lodge as a launching point to explore the area and participate in activities such as bird and wildlife watching, picnicking, camping and hiking.

In the late 1800s, while building the Biltmore Estate in Asheville, industrialist George Washington Vanderbilt purchased Mt. Pisgah and thousands of surrounding acres. Vanderbilt used the property as a private hunting retreat for family and friends. Today, some of those lands comprise part of Pisgah National Forest, which surrounds the Parkway near the Inn. The Pisgah National Forest consists of over 500,000 acres of primarily hardwood forest with whitewater rivers, waterfalls, and hundreds of miles of trails. Attractions within the forest include the Cradle of Forestry (a museum about the birthplace of modern forestry in America, located approximately 15 miles from the Inn), Looking Glass Falls and Sliding Rock (14 miles), and the Pisgah Fish Hatchery (13 miles). Also nearby is the extensive Shining Rock Wilderness.

In addition to Asheville, nearby towns that attract many visitors and tourists include Brevard (20 miles from the Inn), Maggie Valley (28 miles), and Waynesville (24 miles).



Required and Authorized Services

EXISTING CONTRACT

Exhibit 2 lists the required and authorized visitor services at Pisgah Inn that were provided under the Existing Contract.

| Exhibit 2. Existing Contract BLRI003-04 – Required and Authorized Services | |
|--|-----------------------------|
| Required Services | |
| Lodging: | Pisgah Inn |
| Food and Beverage: | Pisgah Inn Restaurant |
| Retail: | Gift Shop and Country Store |
| Authorized Services | |
| Automated Teller Machine | |
| Laundry Service | |
| Interpretive Services | |
| Other Food Services (including Catering, Banquets and Special Events) | |
| Source: National Park Service | |

DRAFT CONTRACT

The Draft Contract (CC-BLRI003-15) will include the same required visitor services as listed above for the Existing Contract, and new Authorized Services, including a Hiker Shuttle and Meetings, Catering and Special Events.

| Exhibit 3. Draft Contract BLRI003-15 – Required and Authorized Services | |
|---|---|
| Required Services | Location |
| Lodging | Pisgah Inn |
| Food and Beverage | Pisgah Inn Restaurant |
| Retail | Gift Shop and Country Store |
| Authorized Services | Location |
| Hiker Shuttle | From the Concession Facilities to Service-approved destinations |
| Meetings, Catering and Special Events | Pisgah Inn |
| Vending | Pisgah Inn |
| Automated Teller Machine | Pisgah Inn |
| Laundry Service | Pisgah Inn |
| Source: National Park Service | |



The following is a summary, by department, of the required services. Note that the required minimum operating season for all services is May 1 to November 1.

Lodging



The Pisgah Inn consists of 51 midscale motel-style rooms. There are 14 rooms with one king bed, 7 rooms with one queen bed (including 3 ADA accessible rooms), 29 rooms with two double beds, and one oversized suite with a king bed (the Pisgah Room). All rooms include a private porch or balcony with rocking chairs and spectacular views. Rooms feature a coffee maker, small refrigerator, wireless Internet access and a television with satellite reception with a variety of channels.

Camping is also available nearby at the Mt. Pisgah Campground, a service that is only open seasonally. The campground is managed and operated by the Park and is not included in the Business Opportunity.

Food and Beverage Service

The Pisgah Inn restaurant is open daily during the operating season from 7:30 a.m. to 9:00 p.m. It features home-cooked meals for breakfast, lunch, and dinner and is a full service, upscale casual establishment. Specials are typically prepared on a daily basis. The seating area of the restaurant is 2,400 square feet with a seating capacity of 140. A separate room—the Rhododendron Room—is available as an overflow dining room, or for rent for special events and banquets, which will accommodate seating for up to 70 guests. The restaurant does not offer reservations and operates on a first-come, first-served basis.



Retail Operations

The retail operations at the Pisgah Inn include 2,770 square feet of space, which includes the gift shop located in the restaurant building (approximately 850 square feet) and the Country Store located in a separate building closer to and more visible from the road (over 1,900 square feet including restrooms and storage). The Country Store primarily caters to campground guests and those driving by, offering basic snacks and beverages, camping supplies in addition to gifts and souvenirs.



Utilization and Operating Data

The Proposal Package (Part III of this Prospectus), which Offerors must complete and submit as part of this solicitation, requires Offerors to develop financial projections based on the business to be operated. To assist Offerors in the development of these projections, the Service presents information regarding historical utilization, operating data, and financial projections, based on an assumed Draft Contract start date of December 1, 2014. Please note that operating projections are only estimates based on assumptions developed by the Service taking into account publicly available historical data, industry standards, and other comparable information from other facilities and Annual Financial Reports from 2012 and earlier.

HISTORICAL REVENUES

Exhibit 4 presents total historical revenue statistics from the concession operations under the Existing Contract at Pisgah Inn from 2011 through 2013, broken down by department. Total concession revenue increased by 9.5% in 2011 and by 3.1% in 2012 but dropped by 5.6% in 2013. The drop in 2013 is likely related to the unplanned closure of the operation during October, 2013 as a result of the lapse in federal appropriations. The table also presents deductions from gross revenue to obtain gross receipts subject to the franchise fee, as well as the franchise fee paid in each year.

| Exhibit 4. Historical Revenue by Department and Revenue Subject to Franchise Fee | | | |
|---|--------------------|--------------------|--------------------|
| Department | 2011 | 2012 | 2013 |
| Lodging | \$1,197,416 | \$1,273,041 | \$1,218,511 |
| Food and Beverage | \$1,570,174 | \$1,565,417 | \$1,488,862 |
| Retail | \$636,773 | \$671,243 | \$605,623 |
| Total Gross Revenue | \$3,404,363 | \$3,509,701 | \$3,312,996 |
| Less: Exempt Handicrafts | \$76,376 | \$111,886 | \$106,506 |
| Less: Cash Discounts on Purchases | \$86,171 | \$92,167 | \$83,588 |
| Gross Receipts Subject to Franchise Fee | \$3,241,816 | \$3,305,648 | \$3,122,902 |
| Franchise Fee Paid | \$97,254 | \$99,169 | \$93,687 |

Source: National Park Service

Over the 2011-2013 period, Food and Beverage department revenue averaged 45% of total concession revenue, Lodging department revenue averaged 36%, and retail department revenue averaged 19% of total concession revenue.

Lodging Department

Lodging department revenue increased at an annual rate of 4.1% over the 2010-2012 period. The increase was due primarily to an increase in real demand and higher occupancy; average daily rates have been steady over this period.

Food and Beverage Department

Food and Beverage revenue increased by 5.5% annually over the 2010-2012 period, due to increases in the number of covers and the average check.

Retail Department

The Retail department includes the Gift Shop and Country Store. Retail department revenue increased by 12.7% annually over the 2010-2012 period, due primarily to increases in the number of transactions at both outlets.



FUTURE REVENUE AND UTILIZATION PROJECTIONS

Some or all of the projections may not materialize and unanticipated events may occur that will affect these projections. Offerors are responsible for producing their own prospective financial analyses and may not rely on the Service projections. The Service does not warrant, and assumes no liability for, the accuracy of the financial projections or estimates contained in this Prospectus.

Lodging Department (Exhibit 5)

The Service projects that the Lodging department revenue will grow annually by inflation as measured by the consumer price index over the term of the Draft Contract. The following table presents projected operating statistics over the first year of the Draft Contract period.

| Exhibit 5. Projected Lodging Department Operating Statistics | |
|---|-------------------|
| Pisgah Inn Restaurant | 2015 |
| Occupied Room Nights | 9,100-9,400 |
| Average Daily Rate | \$140.00-\$150.00 |

Source: National Park Service

Food and Beverage Department (Exhibit 6)

The Service projects Food & Beverage department revenue to grow annually by inflation as measured by the consumer price index over the term of the Draft Contract. The following table presents projected operating statistics over the first year of the Draft Contract period.

| Exhibit 6. Projected Food and Beverage Department Operating Statistics | |
|---|-----------------|
| Pisgah Inn Restaurant | 2015 |
| Number of Restaurant Covers | 130,000-135,000 |
| Average Restaurant Check | \$11.00-\$13.00 |

Source: National Park Service

Retail Department (Exhibit 7)

The Service projects Retail department revenue will grow annually by inflation as measured by the consumer price index over the term of the Draft Contract. The following table presents projected operating statistics over the first year of the Draft Contract period.

| Exhibit 7. Projected Retail Department Operating Statistics | |
|--|-------------------|
| Gift Shop and Country Store | 2015 |
| Total Retail Square Footage | 2,770 |
| Revenue per Square Foot | \$220.00-\$240.00 |

Source: National Park Service



Exhibit 8 presents a single table that shows the total revenue projected for all departments associated with the Required services under the Draft Contract.

| Exhibit 8. Projected Departmental and Total Revenue | |
|--|--------------------------------|
| Department | 2015 |
| Lodging | \$1,250,000-\$1,450,000 |
| Food and Beverage | \$1,500,000-\$1,700,000 |
| Retail | \$600,000-\$700,000 |
| Total Gross Revenue | \$3,350,000-\$3,850,000 |

Source: National Park Service

DEPARTMENTAL AND INDIRECT EXPENSES

The Service projects that most departmental and indirect expenses will be within industry average ranges.

UTILITY EXPENSE

The Service provides water and sewer service at Pisgah Inn. The Service will provide these utilities to the Concessioner on a reimbursable basis and will bill the Concessioner monthly in accordance with Service Policy.

Haywood Electric Membership Corporation provides electricity for the Pisgah Inn Concession Facilities. Haywood EMC will bill the Concessioner directly for power usage. Total utility expense is projected to average 4% to 5% of concession gross revenue.



Investment Analysis

Exhibit 9 shows the total estimated required initial investment by the Concessioner as projected by the Service in 2015 dollars. This estimate includes Leasehold Surrender Interest, personal property, inventory, supplies, estimated deferred maintenance, start-up costs (staff hiring, training, etc.) and working capital (investment needed to cover expenses incurred in advance of offsetting revenues).

Exhibit 9. Estimated Initial Investment (2015)¹

| Item | Estimated Amount (2015 Dollars) |
|---|------------------------------------|
| Leasehold Surrender Interest ² | \$3,894,822 |
| Personal Property | \$613,000 |
| Inventory | \$35,000 |
| Estimated Deferred Maintenance (DM) ³ | \$200,000 |
| Concession Facilities Improvement Program (CFIP) ⁴ | \$575,000 |
| Start-up Costs | \$150,000 |
| Working Capital | \$150,000 |
| TOTAL | \$5,617,822 |

Source: National Park Service

¹ These estimated amounts are not warranted by the Service and the Service is not bound by these estimates. Offerors are expected to conduct their own due diligence to determine amounts needed for initial investment.

² In the event that this amount changes prior to the award of the Draft Contract, this solicitation will be amended accordingly or cancelled.

³ The amount indicated in this line item represents estimated costs over the first two years of the contract term for DM not covered by the Repair and Maintenance Reserve or regular operating expenses as required in the Draft Contract. See the Draft Contract Exhibit H ("Maintenance Plan"), Attachment 1 for a List of DM.

⁴ The amount indicated in this line item represents estimated costs over the first two years of the contract term. The estimated range for the cost of the CFIP is \$550,000 to \$600,000.

EXISTING LEASEHOLD SURRENDER INTEREST

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor its Leasehold Surrender Interest (LSI) held in connection with its operations. The appendices of this Prospectus include a copy of the Existing Contract, including all amendments and agreements. The Concessioner must compensate the Existing Concessioner pursuant to the terms of the Existing Contract for the LSI associated with Concession Facilities assigned to the Draft Contract.

As defined in the Draft Contract Exhibit G ("Leasehold Surrender Interest as of the effective date of this Contract"), the outstanding amount owed the Existing Concessioner for LSI is \$3,894,822. In the event that this amount changes prior to the award of the Draft Contract, this solicitation will be amended accordingly or cancelled.

The value of this Leasehold Surrender Interest adjusts as specified in Section 1(j) (2) and 1(j) (3) of the Draft Contract Exhibit A ("Leasehold Surrender Interest"). As defined in these sections, the ending value of LSI is based on annual changes in the Consumer Price Index (CPI) and observable depreciation of improvements at the end of the Draft Contract term.



The Draft Contract provides that the Concessioner will obtain LSI in capital improvements it constructs in accordance with the terms of the Draft Contract. The Draft Contract defines "capital improvements" as the construction of "structures" and "major rehabilitations," and, the installation of "fixtures" (including non-removable equipment) as the Draft Contract defines these terms. Title 36 of the Code of Federal Regulations, Section 51.51 defines LSI. Upon contract termination or expiration, the Concessioner is entitled to compensation for any approved LSI. The Service may also extinguish LSI during the term of the Draft Contract by payment of the value of any approved LSI to the Concessioner. In general, the value of LSI is equal to:

- (1) the initial construction cost of the related capital improvement; (2) adjusted by the percentage increase or decrease in the Consumer Price Index from the date of substantial completion of the construction of the related capital improvement to the date of payment of the leasehold surrender interest value; (3) less depreciation of the related capital improvement.

REQUIRED CONCESSION FACILITIES IMPROVEMENT PROGRAM (CFIP)

The Concessioner must undertake and complete a Concession Facilities Improvement Program (CFIP) to

- Install NFPA compliant fire suppression systems in the Office/Lodge Building A and Lodge Building B per National Fire Protection Association Standard for the Installation of Sprinkler Systems (NFPA 13);
- Replace the existing sprinkler system in the Restaurant building with a new NFPA compliant fire suppression system per NFPA 13;
- Install NFPA compliant fire suppression systems in the four Dorms per NFPA 13R (Standard for the Installation of Sprinkler Systems in Low-Rise Residential Occupancies);
- Install a new Intelligent Analog Addressable Fire Alarm Signaling System in accordance with 2013 NFPA 72 in the restaurant, Building A, Building B and Building C; and,
- Install new smoke detectors in the Dorm buildings in compliance with NFPA 101 life safety code.

The Concessioner must design and install the system in accordance with National Fire Protection Association codes and standards and Applicable Laws, including National Park Service rules, regulations requirements and policies. The Southeast Regional Office of the National Park Service developed sample Scopes of Work (SOWs) for installing wet and dry fire suppression systems as well as fire alarm systems. These sample SOWs are included as appendices to this prospectus. The Service will expect the Concessioner to use the sample SOWs during Project Planning and Design as described in the Draft Contract Exhibit F ("Concessioner Construction, Major Rehabilitation, and Repair and Maintenance Project Procedures").

The CFIP will cost the Concessioner not less than \$550,000 and not more than \$600,000 and be completed by November 15, 2016. The Service anticipates these costs will generate little to no Leasehold Surrender Interest (LSI). Please refer to Section 9 of the Draft Contract for further information.

PERSONAL PROPERTY AND INVENTORY

The estimated value of Personal Property is approximately \$613,000 in 2015 dollars, in addition to \$35,000 in inventory. The estimate includes inventory and personal property used for general concession administration and support, such as other furniture, fixtures, and equipment. The Existing Contract has no requirement that the Concessioner purchase the personal property or inventory held by the Existing Concessioner.



DEFERRED MAINTENANCE

The Concessioner must cure all deferred maintenance (DM) for all real property assets assigned under the Draft Contract. The DM forecast assumes the Concessioner will maintain buildings according to the Maintenance Plan and will not allow new DM to occur or accumulate. The Service provides estimates below and detailed descriptions of DM projects are in Attachment 1 to the Maintenance Plan.

Exhibit 10 presents a table of estimated DM costs, which represent non-routine expenditures not covered by the Repair and Maintenance Reserve. The Service has estimated these costs for illustrative purposes only; Offerors must develop their own estimates. In addition, the Concessioner must cure the DM requirements to the satisfaction of the Director within two years of the effective date of the Draft Contract even if the actual costs exceed the estimates provided in this Prospectus. The Service does not warrant the estimates, but includes them only to provide a sense of the potential investment associated with the DM requirements herein. Offerors are expected to conduct their own due diligence and make their own determinations and estimates of DM costs, and may not rely on the Service's estimates.

Exhibit 10. Estimated Deferred Maintenance

| Years | Estimated Amount |
|--------------|------------------|
| 2015-2016 | \$200,000 |
| TOTAL | \$200,000 |

Source: National Park Service

START-UP COSTS AND WORKING CAPITAL

At the start of the Draft Contract, the Concessioner will need to make a one-time investment in a range of activities to ramp up operations. These activities may include, but not be limited to hiring staff, training (which may involve compensation to staff in addition to normal wages), systems implementation, legal support services, and marketing and advertising. The Service assumes start-up costs to be roughly 5% of first-year operating expenses.

In addition to any necessary investment in start-up activities, the Concessioner will need to invest a certain amount of cash in the operation to cover that portion of the operation's expenses that the Concessioner will likely incur in advance of receiving offsetting revenues and cash flow. The Service assumes the Concessioner will invest another 5% of projected first year operating expenses in working capital for this purpose.

REPAIR AND MAINTENANCE RESERVE

The Draft Contract requires the Concessioner to establish a Repair and Maintenance Reserve ("Reserve") for repair and maintenance projects that are non-recurring within a seven-year timeframe. The Concessioner must debit to the Reserve a sum equal to **two and a half percent (2.5%)** of gross receipts for the previous month. The terms and conditions of the Repair and Maintenance Reserve are set out in the Draft Contract in Section 10(c). Note that debits to the Reserve and maintenance activities undertaken with Reserve funds are different from, and in addition to, investments and maintenance activities related to the DM requirements and recurring and preventative maintenance.

Examples of projects that may be funded from the Repair and Maintenance Reserve (with the prior approval of the Service) include repair or replacement of foundations, building frames, window frames, sheathing, subfloors, drainage, rehabilitation of building systems such as electrical, plumbing, built-in heating and air conditioning, roof replacement and similar projects. See Draft Contract Section 10 and the Maintenance Plan for more details on the Repair and Maintenance Reserve requirements.



FRANCHISE FEES

The minimum franchise fee will be equal to **one percent (1.0%)** of the Concessioner's annual gross receipts for the preceding year. However, Offerors may propose a higher minimum franchise fee, as described more fully in the Proposal Package (included in Part III of this Prospectus).

CONTRACT TERM

The term of the Draft Contract will be for ten (10) years with an estimated effective date of March 1, 2015. The effective date of the Draft Contract is subject to change prior to award if determined necessary by the Service. In such an event, the Service will change the expiration date of the Draft Contract to continue the same term length from any adjustment to the effective date.



MARKET AREA OVERVIEW

Regional and Local Market Area

Pisgah Inn is located 24 miles southwest of Asheville, North Carolina. Exhibit 11 presents a map illustrating the location of the concession facilities under the Draft Contract within the Asheville regional area.

Exhibit 11. Location of Pisgah Concession Facilities (Parkway is shaded green)



Source: National Park Service

The Pisgah Inn property straddles Haywood and Transylvania counties. Asheville is the county seat of Buncombe County. Exhibit 12 presents historical and projected population growth for Buncombe, Haywood, and Transylvania counties as well as for the state of North Carolina and the U.S. as a whole. As shown, the state and Buncombe County are projected to continue to grow faster than the nationwide average.

Exhibit 12. Population Data and Projections (2000-2020)

| | 2000 | 2010 | Average Growth 2000-2010 | Projected 2020 | Average Growth 2010-2020 |
|----------------------------|--------------------|--------------------|-----------------------------|--------------------|-----------------------------|
| Buncombe County | 207,242 | 238,886 | 1.4% | 269,881 | 1.2% |
| Haywood County | 54,112 | 58,969 | 0.9% | 62,281 | 0.5% |
| Transylvania County | 29,383 | 33,063 | 1.2% | 32,614 | -0.1% |
| North Carolina | 8,081,986 | 9,574,477 | 1.7% | 10,629,051 | 1.1% |
| U.S. | 281,421,906 | 308,935,581 | 0.9% | 335,804,546 | 0.8% |

Source: U.S. Census Bureau, NC Office of State Budget and Management

Exhibit 13 presents recent per capita income and unemployment rate figures for the local counties, North Carolina, and the U.S. as a whole. Although these indicators are not directly linked to demand for concession services, they present an overview of labor market conditions.

Exhibit 13. Regional Economic Indicators

| | Per Capita Income (2011) | Unemployment Rate (2012) |
|----------------------------|-----------------------------|-----------------------------|
| Buncombe County | \$34,467 | 7.5% |
| Haywood County | \$31,496 | 8.7% |
| Transylvania County | \$30,703 | 9.6% |
| North Carolina | \$36,164 | 9.4% |
| U.S. | \$41,663 | 8.2% |

Source: Bureau of Economic Analysis, Bureau of Labor Statistics



Regional Market Competition

Few lodging options in the region provide visitors with a similar lodging experience. The location of the Pisgah Inn is somewhat unique, in that it is directly adjacent to and visible from the road, offering visitors a convenient location from which they can explore the Parkway and attractions in the surrounding region. Furthermore, the Pisgah Inn is located in a highly scenic location with sweeping panoramic views. However, twelve other lodging operators in the region offer a similar lodging experience, featuring comfortable, rustic accommodations and close access to the Blue Ridge Parkway. Most of these lodging properties are open year-round and offer similar amenities as the Pisgah Inn. In total, these twelve properties provide a total of 184 lodging units, ranging from typical hotel and inn rooms to upscale cabins capable of sleeping six or more guests. The following exhibit presents information for these twelve lodging properties.

Exhibit 14. Regional Lodging Properties

| | Location | Distance from Parkway (miles) | Number of Units |
|-------------------------|-----------------|-------------------------------|-----------------|
| Balsam Mountain Inn | Balsam, NC | 1.0 | 50 |
| Grandview Lodge | Waynesville, NC | 6.4 | 8 |
| Bent Creek Lodge | Arden, NC | 1.0 | 10 |
| Sourwood Inn | Asheville, NC | 2.1 | 12 |
| Mountain Springs Cabins | Asheville, NC | 7.2 | 13 |
| Rivermont Cabins | Canton, NC | 13.6 | 7 |
| Parkway Lane Cabins | Arden, NC | 1.7 | 7 |
| Cabins of Willow Winds | Asheville, NC | 1.0 | 25 |
| Honey Hill Cabins | Candler, NC | 16.1 | 11 |
| Blake House Inn | Arden, NC | 4.0 | 6 |
| Rock Laurel B&B | Candler, NC | 5.2 | 5 |
| Pisgah View Ranch | Candler, NC | 7.7 | 30 |

Source: National Park Service

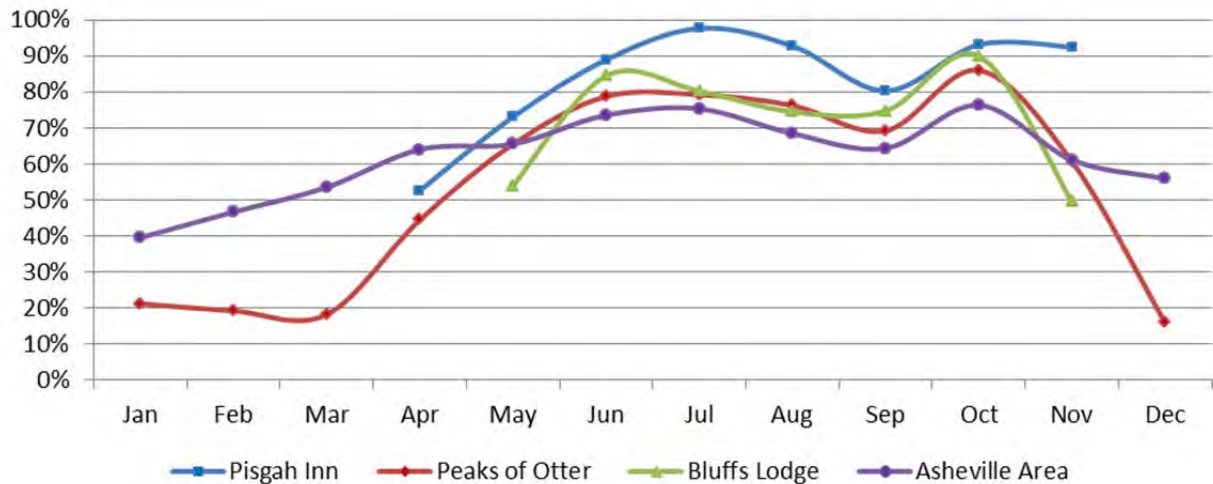
With the exception of the Balsam Mountain Inn, most of the competitive lodging properties are small, independently owned and operated establishments. The properties generally consist of inns/lodges, bed and breakfasts, and cabin rentals that would tend to fall within the three to four-star rating range. Most operators market their properties as a rustic getaway experience and advertise heavily based on their close proximity to the Blue Ridge Parkway, Biltmore Estate, and other natural and cultural attractions and outdoor activities in the region.

Nightly rates (at double occupancy) range from \$80.00 per night to a high of \$299.00 per night, although most operators offer peak season rates in the range of \$130.00 to \$195.00 per night, with a number operators including breakfast in their room rates. Peak season monthly occupancy rates range between 75% and 100%.



The following chart compares monthly occupancy rates at the Pisgah Inn with Asheville area properties as well as the other Blue Ridge Parkway concession lodging operations at Peaks of Otter Lodge and Bluffs Lodge.

Exhibit 15. Average Monthly Occupancy Rate Comparison



Source: National Park Service, Smith Travel Research

It is noteworthy that Pisgah Inn experiences higher monthly occupancy rates than Peaks of Otter and Bluffs Lodge, and higher occupancy rates than the overall sample for Asheville area lodging properties in all months except April. During the peak months of July and October, the Pisgah Inn exceeds the Asheville area lodging properties by a margin of over 10 percentage points. Note that the November occupancy rates for the Pisgah Inn and Bluffs Lodge represent only the first few days of the month, as both establishments close for the season at that time.

The Pisgah Inn restaurant draws a number of locals and groups, as well as visitors on the road passing through, so restaurant demand is not tied directly to lodge guests. Interestingly, many competing lodging operators recommend the Pisgah Inn restaurant to their guests, due to the quality and value of the food served and to experience the spectacular views from the restaurant dining area.

The Pisgah Inn has the significant competitive advantage of being the only dining option located on the road in this region. The closest other dining options are in Brevard, Hendersonville, Waynesville, Maggie Valley, Asheville and other towns in the local area.

As with the lodging and food & beverage departments, there are few direct retail competitors in the immediate area. There are a variety of craft and gift shops in Asheville, Brevard, Waynesville, Hendersonville, Maggie Valley and other towns in the region that cater to the tourist market.

PARK VISITATION INFORMATION

The Service bases recreation visitor counts on data from traffic counters placed across multiple points along the road. For more information on how the Service collects and reports recreation visitor counts, please visit <http://www.nature.nps.gov/stats/index.cfm>.

The following exhibit depicts Park visitation trends over the 2000-2012 period.

Exhibit 16. Blue Ridge Parkway Visitation, 2000-2012



Source: National Park Service

From 2000 to 2012, the Park averaged close to 17 million visitors annually. The steep decline in visitation in 2003 may have been due to changes in the way visits to the Park are counted. The decline in visitation in seven out of nine years since 2003 appears to correlate to inordinately difficult weather conditions and unfavorable economic factors beginning in 2008. For example, the significant drop in visitation in 2010 from the prior year is most likely due to unusually severe winter storms from January to March, which caused the closure of large sections of the road for a lengthy period of time. Visitation rebounded by 6% in 2011 and declined only slightly in 2012.



Seasonality of Visitation

Exhibit 17 presents data on average monthly visitation reported from 2000 to 2010. While the road is open year-round, visitation is seasonal. Almost 60% of total annual visitation occurs from June to October.

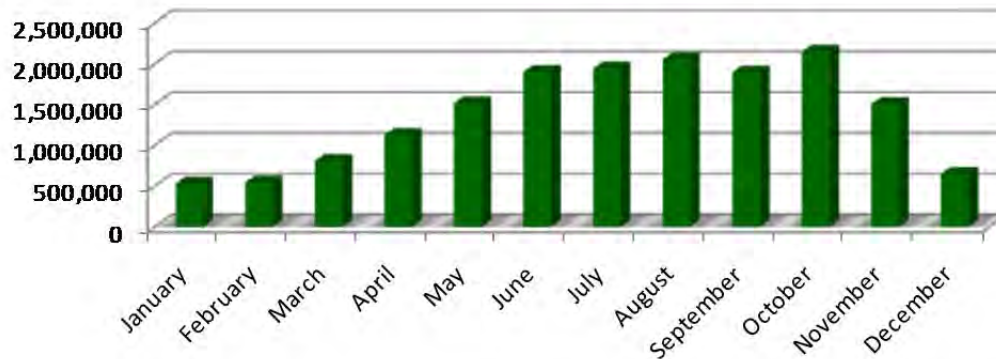
Exhibit 17. Blue Ridge Parkway Average Monthly Visitation, 2000-2010

| Month | Average Visitation | Share of Annual |
|---------------|--------------------|-----------------|
| January | 531,457 | 3.2% |
| February | 543,968 | 3.3% |
| March | 807,073 | 4.9% |
| April | 1,125,694 | 6.8% |
| May | 1,517,638 | 9.1% |
| June | 1,899,867 | 11.4% |
| July | 1,940,613 | 11.7% |
| August | 2,053,274 | 12.4% |
| September | 1,893,421 | 11.4% |
| October | 2,148,464 | 12.9% |
| November | 1,505,291 | 9.1% |
| December | 646,942 | 3.9% |
| Annual | 16,613,701 | 100% |

Source: National Park Service

Exhibit 18 depicts the above visitation information in bar graph format.

Exhibit 18. Blue Ridge Parkway Average Monthly Visitation, 2000-2010



Source: National Park Service



Park Visitor Demographics

The most recent Service Visitor Study for Blue Ridge Parkway was conducted in the fall of 2007 and summer of 2008. The survey found that 50% of fall visitors were between 46 and 65 years old, 22% were between 16 and 45, 21% were 66 years or older, and 7% were 15 years or younger. The numbers were similar for the summer: 50% of visitors were between 46 and 65, 21% were between 16 and 45, 17% were 66 or older and 12% were 15 years or younger. As approximately 70% of visitors are over 45, the Concessioner will need to focus on attracting new types of visitors going forward to maintain occupancy levels. This may mean that the offering of amenities, such Internet access, televisions and cell phone connectivity will become increasingly more important in order to attract guests. Future target visitors for the lodges may include bikers, younger active/adventure travelers, and families.

The survey also found that a large proportion of visitors have visited the Park multiple times. In the fall, 51% of visitors had visited the Park four or more times, 6% had visited the Park three times, 10% had visited twice and 34% were making their first visit to the Park. The summer numbers are similar: 47% had visited four or more times, 6% three times, 10% twice and 38% were making their first visit.

According to the study, demand for services in the Park is derived primarily from visitors from North Carolina, Virginia and other parts of the southeastern U.S. Exhibit 19 presents this breakdown.

Exhibit 19. Blue Ridge Parkway Visitation by Region of Origin

| Origin | Share of Visitation (Fall 07) | Share of Visitation (Summer 08) |
|----------------|-------------------------------|---------------------------------|
| North Carolina | 31% | 27% |
| Virginia | 15% | 14% |
| Florida | 9% | 12% |
| South Carolina | 7% | 5% |
| Tennessee | 6% | 3% |
| Georgia | 5% | 5% |
| Other U.S. | 23% | 31% |
| International | 4% | 3% |

Source: National Park Service



BLUE RIDGE PARKWAY GENERAL MANAGEMENT PLAN

The Service has recently released a General Management Plan (GMP) to provide management direction for resource protection and visitor use at Blue Ridge Parkway for the next 20 years. Please visit the Service Planning, Environment & Public Comment (PEPC) website (<http://parkplanning.nps.gov/BLRI>) for more information.

PREFERRED OFFEROR DETERMINATION

The 1998 Concessions Act includes the limited right of preference in renewal for statutorily defined outfitter and guide services and small contracts. This limited right does not apply here, however. The Service has determined, pursuant to 36 C.F.R. Part 51, there is no "preferred offeror" who is eligible to exercise a right of preference for the award of the Draft Contract.

SITE VISIT

The Service will lead a site visit on the dates listed on the inside front cover of this Prospectus. For more information regarding the specific time and to reserve a place, please contact Laura S. Nelson, Concession Management Specialist by phone at (828) 348-3407 or via email at laura_s_nelson@nps.gov. The site visit will be an opportunity for all interested parties to get an overview of the concession operation along with a tour of Concession Facilities associated with the Draft Contract.

